INDEPENDENT AUDITOR'S REPORT

To the Chair of the National Energy Board

Report on the Financial Statements

I have audited the accompanying financial statements of the National Energy Board, which comprise the statement of financial position as at 31 March 2016, and the statement of operations and net financial position, statement of change in net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Energy Board as at 31 March 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the transactions of the National Energy Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Section 24.1(1) of the *National Energy Board Act* and the *National Energy Board Cost Recovery Regulations*.

Guy LeGras, CPA, CA
Principal
for the Auditor General of Canada

17 June 2016
Edmonton, Canada

National Energy Board | Office national de l'énergie

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2016 and all information contained in these statements rests with the management of the National Energy Board (NEB). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the NEB's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the NEB's *Departmental Performance Report* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the NEB and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The NEB will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board *Policy on Internal Control*.

In the interim, the NEB has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2016, in accordance with the Treasury Board *Policy on Internal Control,* and the results and action plan is summarized in the annex.

The Office of the Auditor General, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the financial statements of the NEB which does not include an audit opinion on the annual assessment of the effectiveness of the department's internal controls over financial reporting.

C. Peter Watson, P.Eng. Chair and CEO

Paula Futoransky, Chief Financial Officer

Calgary, Canada
17 June 2016

Statement of Financial Position
As at March 31
(in thousands of dollars)

	2016	2015
Liabilities		
Accounts payable and accrued liabilities (Note 4)	12,989	11,463
Due to Consolidated Revenue Fund	200	386
Other payables (Note 5)	-	11,033
Vacation pay and compensatory leave	3,619	3,201
Employee future benefits (Note 6)	2,224	2,356
Total liabilities	**19,032**	**28,439**
Financial assets		
Due from Consolidated Revenue Fund	12,989	11,463
Accounts receivable and advances (Note 7)	38,051	33,864
Total gross financial assets	**51,040**	**45,327**
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 7)	(37,851)	(33,479)
Total financial assets held on behalf of Government	**(37,851)**	**(33,479)**
Total net financial assets	**13,189**	**11,848**
Net debt	**5,843**	**16,591**
Non-financial assets		
Prepaid expenses	956	439
Tangible capital assets (Note 8)	21,917	24,489
Total non-financial assets	**22,873**	**24,928**
Net financial position	**17,030**	**8,337**

Contractual obligations and contingent liabilities (Note 9)

The accompanying notes and Schedule A form an integral part of these financial statements

C. Peter Watson, P.Eng. Chair and CEO
Calgary, Canada
17 June 2016

Paula Futoransky, Chief Financial Officer

Statement of Operations and Net Financial Position
For the Year Ended March 31
(in thousands of dollars)

	2016 Planned Results Note 2 (A)	2016	2015
Expenses (Note 12)			
Energy Regulation	62,152	53,748	51,633
Energy Information	6,968	8,153	7,431
Internal Services	22,383	36,724	31,218
Total expenses	**91,503**	**98,625**	**90,282**
Revenues (Note 12)			
Regulatory revenue	82,353	92,857	81,931
Miscellaneous revenue	75	186	641
Revenues earned on behalf of Government	(82,428)	(93,043)	(82,572)
Total revenues	-	-	-
Net cost of operations before government funding and transfers (Notes 3a and 12)	**91,503**	**98,625**	**90,282**
Government funding and transfers			
Net cash provided by Government	77,013	92,929	73,705
Change in due from the Consolidated Revenue Fund	537	1,712	2,150
Services provided without charge from other government departments (Notes 3a and 10)	12,351	12,688	19,082
Transfer of the transition payments for implementing salary payment arrears (Note 11)	-	(11)	(1,605)
Net cost (Net revenue) of operations after government funding and transfers	**1,602**	**(8,693)**	**(3,050)**
Net financial position - Beginning of year	**12,042**	**8,337**	**5,287**
Net financial position – End of year	**10,440**	**17,030**	**8,337**

Segmented information (Note 12)

The accompanying notes and Schedule A form an integral part of these financial statements.

Statement of Change in Net Debt
For the Year Ended March 31
(in thousands of dollars)

	2016 Planned Results Note 2 (A)	2016	2015
Net cost (Net revenue) of operations after government funding and transfers	1,602	(8,693)	(3,050)
Change due to tangible capital assets			
Acquisition of tangible capital assets (Note 8)	2,700	1,155	12,150
Amortization of tangible capital assets (Notes 3a, 8 and 12)	(3,240)	(3,719)	(2,526)
Net loss on disposal of tangible capital assets (Note 8)	-	(8)	(524)
Total change due to tangible capital assets	**(540)**	**(2,572)**	**9,100**
Change due to prepaid expenses	**(750)**	**517**	**(9)**
Net increase (decrease) in net debt	**312**	**(10,748)**	**6,041**
Net debt - Beginning of year	**6,387**	**16,591**	**10,550**
Net debt - End of year	**6,699**	**5,843**	**16,591**

The accompanying notes and Schedule A form an integral part of these financial statements

Statement of Cash Flows
For the Year Ended March 31
(in thousands of dollars)

	2016	2015
Operating activities		
Net cost of operations before government funding and transfers	98,625	90,282
Non-cash items:		
Amortization of tangible capital assets (Note 8)	(3,719)	(2,526)
Gain (loss) on disposal of tangible capital assets (Note 8)	(8)	(524)
Services provided without charge by other government departments (Note 10)	(12,688)	(11,775)
Transition payments for implementing salary payments in arrears (Note 11)	11	1,605
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	(185)	175
Increase (decrease) in prepaid expenses	517	(9)
Increase in accounts payables and accrued liabilities	(1,167)	(2,326)
Decrease (increase) in other payables	11,033	(11,033)
Decrease (increase) in vacation pay and compensatory leave	(418)	159
Decrease in employee future benefits	132	4,834
Cash used in operating activities	**92,133**	**68,862**
Capital investing activities		
Acquisitions of tangible capital assets	796	4,843
Cash used in investing activities	**796**	**4,843**
Net cash provided by Government of Canada	**92,929**	**73,705**

The accompanying notes and Schedule A form an integral part of these financial statements

1. Authority and objectives

The National Energy Board (NEB or the Board) is an independent federal regulator established in 1959 to promote safety and security, environmental protection and economic efficiency in the Canadian public interest for the regulation of pipelines, energy development and trade. The Board reports to Parliament through the Minister of Natural Resources. The NEB was established under the *National Energy Board Act* (NEB Act) and is designated as a department and named under Schedule I.1 of the *Financial Administration Act*.

The Board's responsibilities can be framed into the following program alignment architecture which is also the basis for its segmented Statement of Operations:

I. Energy Regulation

The Board's responsibilities include regulating the construction and operation of interprovincial and international oil and gas pipelines, international power lines, and designated interprovincial power lines. The Board also regulates the tolls and tariffs of the pipelines under its jurisdiction as well as the export of natural gas, oil, natural gas liquids and electricity, and the import of natural gas. Additionally, the Board regulates oil and gas exploration and development on frontier lands and offshore areas not covered by provincial or federal management agreements.

II. Energy Information

The Board monitors aspects of energy supply, demand, production, development and trade of all energy commodities that fall within the jurisdiction of the federal government. The Board publishes periodic assessments of Canadian supply and demand of energy and natural gas markets to inform Canadians on trends, events and issues which may affect Canadian energy markets.

III. Internal Services

The Board ensures that it has the capacity to deliver on its mandate by its commitment to enhancing its organizational performance by developing, nurturing and maintaining expertise in its people strategy.

The NEB is an independent, federal, quasi-judicial regulatory tribunal guided by the principles of natural justice and procedural fairness. The Board is a court of record and has certain powers of a superior court with respect to the attendance, swearing and examination of witnesses; the production and inspection of documents; the enforcement of its orders; the entry on and inspection of property; and other matters necessary or proper for the due exercise of its jurisdiction. Aside from rare exceptions, the Board's regulatory decisions and the accompanying Reasons for Decision are issued as public documents.

The financial statements of the National Energy Board have been prepared as at March 31 which corresponds with the Board's year-end. In accordance with section 24.1 of the NEB Act, the Board may, for the purposes of recovering all or a portion of such costs as the Board determines to be attributable to its responsibilities under this or any other Act of Parliament, make regulations to impose fees, levies or charges. The NEB Cost Recovery Regulations provide for the calculation and allocation of recoverable costs. Cost recovery calculations performed on a calendar year basis are included in a Schedule to these financial statements. The NEB is funded

through parliamentary appropriations. The Government of Canada recovers approximately 95 percent of the appropriation from the regulated industry. The revenues are deposited directly into the Consolidated Revenue Fund. This process is regulated by the National Energy Board Cost Recovery Regulations.

2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Parliamentary authorities

The NEB is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the NEB do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Net Financial Position and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" section of the Statement of Operations and Net Financial Position are the amounts reported in the 2015-2016 *Report on Plans and Priorities*. The planned results amounts in the "Government funding and transfers" section of the Statement of Operations and Net Financial Position and in the Statement of Change in Net Debt were prepared for internal management purposes and have not been previously published.

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with financial liabilities. The NEB's objective for managing liquidity risk is to manage operations and cash expenditures within the appropriation authorized by Parliament or allotment limits approved by the Treasury Board.

Each year, the Board presents information on planned expenditures to Parliament through the tabling of Estimates publications. These estimates result in the introduction of supply bills (which, once passed into legislation, become appropriation acts) in accordance with the reporting cycle for government expenditures. The Board exercises expenditure initiation processes such that unencumbered balances of budget allotments and appropriations are monitored and reported on a regular basis to help ensure sufficient authority remains for the entire period and appropriations are not exceeded.

Consistent with Section 32 of the *Financial Administration Act*, the Board's policy to manage liquidity risk is that no contract or other arrangement providing for a payment shall be entered into with respect to any program for which there is an appropriation by Parliament or an item included in estimates then before the House of Commons to which the payment

will be charged unless there is a sufficient unencumbered balance available out of the appropriation or item to discharge any debt that, under the contract or other arrangement, will be incurred during the fiscal year in which the contract or other arrangement is entered into.

The NEB's risk exposure and its objectives, policies and processes to manage and measure this risk did not change significantly from the prior year.

b) Net cash provided by (to) Government

The NEB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the NEB is deposited to the CRF and all cash disbursements made by the NEB are paid from the CRF. The net cash provided by (to) Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

c) Amounts due from or to the Consolidated Revenue Fund

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the NEB is entitled to draw from the CRF without further authorities to discharge its liabilities. This amount is not considered to be a financial instrument.

d) Revenues

- The NEB has the authority to charge those companies that it regulates, in accordance with sub-section 24.1 of the NEB Act, the costs attributable to the NEB's operations in carrying out its responsibilities. Under the National Energy Board Cost Recovery Regulations (Regulations) approved by Treasury Board, effective January 1, 1991, the NEB recovers, from the companies that it regulates, the cost of its operations. Revenues from regulatory levies are recognized in the accounts when they are invoiced and, in accordance with the Regulations, are based on the estimated cost of operations for the calendar year, with a billing adjustment to actual costs once the costs are known. Actual costs are defined as the sum of one-quarter of year 1 audited fiscal costs (January to March) and three-quarters of year 2 audited fiscal costs (April to December). The recoverable costs for a given calendar year are allocated to the oil, gas and electricity commodities proportionately on the basis of the actual time spent by Board members and employees during the preceding fiscal year (April 1 to March 31).
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- Revenues that are non-respendable are not available to discharge the NEB's liabilities. While the Chair is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

e) Expenses

Expenses are recorded on the accrual basis.

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, legal and audit services and payroll and banking services from Public Services and Procurement Canada are recorded as operating expenses at their estimated cost. These estimated amounts for services received without charge are recoverable costs under the Regulations.
- Expenditures of the Board that are excluded from Cost Recovery Regulations are those expenditures related to the regulation of, exploration for, and the development of oil and gas on frontier lands and offshore areas and are disclosed in Schedule A.
- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program.

f) Liabilities

Liabilities are financial obligations of the NEB to outside organizations and individuals as a result of events and transactions that occurred on or before year end. They are the result of contracts, agreements and legislation in force at year end that require the NEB to repay borrowings or to pay for goods and services acquired or provided prior to year-end. Liabilities include Accounts payable and accrued liabilities (Note 4), Other payables (note 5), Vacation pay and compensatory leave and Employee future benefits.

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within six months of year-end.

Employee future benefits

i. Pension benefits: Eligible employees participate in the Public Service Pension Plan (Plan), a multiemployer pension plan administered by the Government of Canada. The NEB contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The NEB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

ii. Severance benefits: Certain employees are entitled to severance benefits under labour contracts or conditions of employment and these benefits are earned as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

g) Accounts receivable

Accounts receivable are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain. In addition, a distinction is made between financial assets that are available to discharge the NEB's liabilities versus the ones that are not. Accounts receivable that pertain to non-respendable revenues earned on behalf of Government are considered to be held on behalf of the Government of Canada and are therefore presented in the Statement of Financial Position as a reduction of the entity's gross financial assets. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The NEB provides services to other government departments and agencies and to external parties in the normal course of business. Accounts receivable are due on demand. The NEB is not exposed to significant credit risk and has incurred very minimal credit losses in the past. The maximum exposure the NEB has to credit risk equal to the carrying value of its accounts receivables.

h) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

i) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more per unit, per bundle or purchased in bulk, are recorded at their acquisition cost.

Amortization of tangible capital assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	**Amortization period**
Informatics hardware:	
PCs and accessories	3 years
Computer servers & accessories	5 years
Informatics software	
Commercial software	2 years
In-house developed software	5 years
Equipment	5 years
Furniture	10 years
Vehicles	5 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

Tangible capital assets under development are recorded as assets under development and amortized when they become available for use.

(j) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are recoverable operating costs, contingent liabilities, the liability for employee future benefits, allowance for doubtful accounts and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary authorities

The NEB receives most of its funding through annual parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada. Items recognized in the Statement of Operations and Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the NEB has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used:

	2016	2015
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	98,625	90,282
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments (Note 10)	(12,688)	(11,775)
Amortization of tangible capital assets (Note 8)	(3,719)	(2,526)
Gain (loss) on disposal of tangible capital assets (Note 8)	(8)	(524)
Decrease (increase) in vacation pay and compensatory leave	(418)	159
Decrease in employee future benefits (Note 6b)	132	4,834
Refund of prior years' expenditures	148	881
Other – accrual for collective agreement	(1,136)	(216)
Total items affecting net cost of operations but not affecting authorities	(17,689)	(9,167)

Adjustments for items not affecting net cost of operations but

affecting authorities		
Acquisitions of tangible capital assets (Note 8)	1,155	4,843
Transition payments for implementing salary payments in arrears (Note 11)	11	1,605
Increase (decrease) in prepaid expenses	517	(9)
Total items not affecting net cost of operations but affecting authorities	1,683	6,439
Current year authorities used	**82,619**	**87,554**

(b) Authorities provided and used

	2016	**2015**
	(in thousands of dollars)	
Vote 1 – Program expenditures	87,815	83,789
Statutory amounts	8,184	8,693
Less:		
Lapsed authorities: Operating	(13,380)	(4,928)
Current year authorities used	**82,619**	**87,554**

4. Accounts payable and accrued liabilities

The following table presents details of accounts payable and accrued liabilities:

	2016	**2015**
	(in thousands of dollars)	
Accounts payable to other government departments and agencies (Note 10b)	719	2,288
Accounts payable to external parties	11,630	8,864
Total accounts payable	12,349	11,152
Accrued liabilities	640	311
Total accounts payable and accrued liabilities	**12,989**	**11,463**

5. Other payables

Other payables represents the levies collected from newly regulated parties under Section 5.2(1) of the National Energy Board Cost Recovery Regulations. These amounts will reduce the cost recovery levies payable by other regulated parties and is included as an adjustment to billings to other regulated parties in the year after the Section 5.2(1) levies have been invoiced.

6. Employee future benefits

a) Pension benefits:

The NEB employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the NEB contribute to the cost of the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2015-2016 expense amounts to $5,943,643 ($5,941,779 in 2014-2015). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-2015) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) the employee contributions.

The NEB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Financial Statements of the Government of Canada, as the Plan's sponsor.

b) Severance benefits:

The NEB provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded and benefits will be paid from future authorities.

Commencing in 2012, and due to changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or to collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation and reflect management's best estimate of these future events.

Details of the severance benefits, measured as at March 31, are as follows:

	2016	2015
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	2,356	7,190
Expense for the year	44	-
Benefits paid during the year	(176)	(4,834)
Accrued benefit obligation, end of year	**2,224**	**2,356**

7. Accounts receivable and advances

The following table presents details of the NEB's accounts receivable and advances balances:

	2016	2015
	(in thousands of dollars)	
Receivables – External parties		
Outstanding provisional billings for current year	25,653	15,388
Billing adjustments: current year	8,062	4,254
prior years (Schedule A)	4,254	13,822
Prior year's outstanding balance	28	29
Receivables – Other government departments and agencies (Note 10b)	185	359
Employee advances	15	17
Subtotal	38,197	33,869
Allowance for doubtful accounts on receivables from external parties	(146)	(5)
Gross accounts receivable	**38,051**	**33,864**
Accounts receivable held on behalf of Government	(37,851)	(33,479)
Net accounts receivable	**200**	**385**

8. Tangible capital assets

(in thousands of dollars)

	Cost				
Capital asset class	**Opening balance**	**Acquisitions**	**Adjustments (1)**	**Disposals & write-offs**	**Closing balance**
Informatics hardware	3,592	391	-	(637)	3,346
Informatics software	8,424	-	339	(395)	8,368
Machinery and equipment	2,978	37	-	-	3,015
Furniture	2,944	220	-	-	3,164
Vehicles	37	-	-	-	37
Leasehold improvements	15,739	32	-	-	15,771
Assets under development	513	475	(339)	-	649
Total	**34,227**	**1,155**	**-**	**(1,032)**	**34,350**

(1) Adjustments include assets under development of $339,000 ($10,796,000 in 2014-2015) that were transferred to the other categories upon completion of the assets.

	Accumulated amortization				Net book value	
Capital asset class	**Opening balance**	**Amort-ization**	**Disposals, write-offs & adjustments**	**Closing balance**	**2016**	**2015**
Informatics hardware	1,988	600	(637)	1,951	1,395	1,604
Informatics software	6,173	713	(387)	6,499	1,869	2,251
Machinery and equipment	693	437	-	1,130	1,885	2,285
Furniture	277	300	-	577	2,587	2,667
Vehicles	29	8	-	37	-	8
Leasehold improvements	578	1,661	-	2,239	13,532	15,161
Assets under development	-	-	-	-	649	513
Total	**9,738**	**3,719**	**(1,024)**	**12,433**	**21,917**	**24,489**

9. Contractual obligations and contingent liabilities

a) Contractual obligations

The nature of the NEB's activities can result in some large multi-year contracts and obligations whereby the NEB will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(thousands of dollars)	2017	2018	2019	2020 and thereafter	Total
Vendor contracts	10,958	7,981	7,845	32,608	59,392

b) Claims and litigation

Claims have been made against the NEB in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. Legal proceedings for claims of $4,200,000 were pending at March 31, 2016 ($4,200,000 in 2014-15); however the outcome is undeterminable. Some of these potential liabilities may become actual liabilities, of significantly greater or lesser amount, when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability will be accrued and an expense recorded in the financial statements.

10. Related party transactions

The NEB is related as a result of common ownership to all government departments, agencies, and Crown Corporations. The NEB enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the NEB received services which were obtained without charge from other government departments as discussed below.

a) Common services provided without charge by other government departments:

During the year the NEB received services without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recognized in the NEB's Statement of Operations and Net Financial Position as follows:

	2016	2015
	(thousands of dollars)	
Accommodation	7,595	7,257
Employer's contribution to the health and dental insurance plans	4,696	4,280

Audit services from the Office of the Auditor General	180	159
Payroll and banking services from Public Services and Procurement Canada	55	53
Other professional and Special services	124	-
Legal Services	38	26
Total	**12,688**	**11,775**

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge.

Based on an agreement between the NEB and Public Services and Procurement Canada (PSPC), PSPC incurred fit up costs for new office space related to the NEB office move which took place in 2014-15. PSPC incurred no leasehold improvements in 2015-16 (2014-15 - $7,307,360). These services provided without charge have been recorded in NEB's Statement of Financial Position.

b) Other transactions with related parties:

	2016	2015
	(thousands of dollars)	
Accounts receivable - Other government departments and agencies (Note 7)	185	359
Accounts payable - Other government departments and agencies (Note 4)	720	2,288
Expenses - Other government departments and agencies	10,280	13,089

11. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the NEB. However, it did result in the use of additional spending authorities by the NEB. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Services and Procurement Canda, who is responsible for the administration of the Government pay system. The payments incurred in 2015-16 belonged to employees returning from leave without pay when the initial one-time transition payments were issued.

12. Segmented information

Presentation by segment is based on the NEB's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expense and by major type of revenues. The segment results for the period are as follows:

	2016 (thousands of dollars)				2015
	Energy Regulation	**Energy Information**	**Internal Services**	**Total**	**Total**
Transfer Payments	3,003	-	-	3,003	850
Operating Expenses					
Salaries and employee benefits	39,622	6,302	22,530	68,454	64,222
Accommodation	4,685	686	4,068	9,439	11,904
Professional and special services	3,277	822	5,362	9,461	6,244
Travel	1,939	156	506	2,601	2,221
Amortization (Note 8)	480	71	3,168	3,719	2,526
Loss on disposal of assets (Note 8)	-	-	8	8	524
Communication	310	1	683	994	901
Utilities, materials and supplies	432	115	254	801	880
Other	-	-	145	145	10
Total expenses	**53,748**	**8,153**	**36,724**	**98,625**	**90,282**
Revenues					
Regulatory revenue	50,605	7,676	34,576	92,857	81,931
Miscellaneous revenue	102	15	69	186	641
Revenue earned on behalf of Government	(50,707)	(7,691)	(34,645)	(93,043)	(82,572)
Total revenues	-	-	-	-	-
Net Cost of Operations before government funding and transfers	**53,748**	**8,153**	**36,724**	**98,625**	**90,282**

National Energy Board
Schedule A
Allocation of Recoverable Operating Costs
For the Year Ended March 31, 2016

In accordance with the Cost Recovery Regulations recoverable operating costs are based on the expenditures for the calendar year. A calendar year is the period from January 1 to December 31. The operating costs for Calendar 2014 are from Schedule A of the fiscal year 2014-2015 financial statements. The current year recoverable expenses are calculated using one quarter of recoverable expenses from the prior fiscal year and three quarters of recoverable expenses from the current fiscal year. The methodology used by management to determine actual costs is reviewed on a periodic basis and adjusted for significant events.

	2015 *(calendar 2015)*	**2014** *(calendar 2014)*
	(in thousands of dollars)	
January to March expenses - 1/4 from previous fiscal year	22,570	20,538
April to December expenses – 3/4 from current fiscal year	73,969	67,711
Total calculated expenses for cost recovery purposes	96,539	88,249
Less: non-recoverable costs related to the regulation of Frontier Lands and review of Arctic safety and offshore drilling	(9,156)	(6,664)
Less: 3/4 of 2015-16 costs related to devolution of the Government of the Northwest Territories (GNWT) – costs have been recovered directly from GNWT	(78)	(175)
Recoverable operating costs	**87,305**	**81,410**

The allocation of recoverable operating costs to the commodities is based on actual time spent by Board members, officers and employees during the 2013/14 fiscal year (2012/13 for 2014):

	2015 *(calendar 2015)*		**2014** *(calendar 2014)*	
		(in thousands of dollars)		
Gas	42.5%	37,038	47.9%	38,945
Oil	53.2%	46,472	47.7%	38,853
Electricity	4.3%	3,772	4.4%	3,590
	100%	87,282	100.0%	81,388
Commodity pipelines		23		22
Recoverable operating costs		**87,305**		**81,410**

National Energy Board
Schedule A
Allocation of Recoverable Operating Costs
For the Year Ended March 31, 2016

Billing Adjustment

	2015 *(calendar 2015)*	2014 *(calendar 2014)*	2013 *(calendar 2013)*
	(in thousands of dollars)		
Recoverable operating costs (above)	87,305	81,410	75,830
Deduct: provisional billing	(79,243)	(77,156)	(62,008)
Billing adjustment	**8,062**	**4,254**	**13,822**

The billing adjustment represents the difference between the provisional billing and the actual recoverable operating costs. In accordance with Section 19 of the Regulations, the billing adjustment of $8,062,299 for the current year and $4,254,000 for the prior year will be applied to the provisional billings of 2017 and 2016 respectively. The billing adjustments for 2015 and 2014 are included in the accounts receivable.

Annex to the National Energy Board Statement of Management Responsibility Including Internal Control over Financial Statements

1. Introduction

In support of an effective system of internal control, the National Energy Board (NEB) annually assesses the performance of its financial controls to ensure that:

- Financial arrangements or contracts are entered into only when sufficient funding is available;
- Payments for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- Payments have been properly authorized.

The NEB will leverage the results of the periodic core control audits performed by the Office of the Comptroller General. Below is a summary of the results of the assessment conducted during fiscal year 2015-16.

2. Assessment results during fiscal year 2015-16

For the most part, controls related to payment for goods and services and payment authority were functioning well and form an adequate basis for the department's system of internal control.

3. Assessment plan

The NEB will continue to monitor the performance of its system of internal control, with a focus on the core controls related to financial transactions.